

CONFIDENTIAL BUSINESS INFORMATION

Nationwide

James F. Beacham, Sr.
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RECEIVED

FEB - 17 2011

STANDARD MAIL

January 18, 2011

**STEVEN HILL
MILLER NASH
500 EAST BROADWAY
VANCOUVER WA 98660-3324**

Sent Via Certified Mail Return Receipt

Re: Kaiser Cement Corporation
Site: Lower Duwamish Waterway Superfund Site
Scottsdale Claim #: 1338428-228
Nationwide Claim #: to be determined

Dear Mr. Hill;

We are in receipt of your December 21, 2010 and December 22, 2010 letters. You represent Hanson Permanente Cement, Inc. (Hanson), Kaiser Gypsum Company, Inc. (Kaiser Gypsum) and Kaiser Cement Corporation (Kaiser Cement). You indicate that the United States Environmental Protection Agency (EPA) sent a Request For Information to Kaiser Gypsum on February 19, 2010. Unfortunately, the February 19, 2010 letter was not included with your correspondence. Please provide a copy of that letter for our review. The EPA is seeking information concerning Kaiser Gypsum's ownership and operations on riparian property that Kaiser Gypsum formerly owned along the Lower Duwamish Waterway (LDW) in Seattle, Washington (site). It is not clear if Kaiser Gypsum has been named a Potentially Responsible Party (PRP) at the site. If they have been named as a PRP, please send us all documentation supporting this designation.

National Casualty Company (National) provided excess umbrella liability insurance to Kaiser Cement from April 1, 1983 to April 1, 1984. National's limits of liability are \$1,000,000 each occurrence, \$1,000,000 annual aggregate, excess of \$100,000,000. The policy follows the terms and conditions of the lead umbrella policy issued by First State Insurance Company (First State{Policy Number 941233}). If applicable, the First State follows the terms and conditions of the Home Insurance Company (Home).

The relationship between Hanson, Kaiser Cement and Kaiser Gypsum is not clear. Please clarify the relationship and provide supporting documentation regarding the relationship.

You have tendered these matters to National for defense. Based on the fact National issued an excess policy to Kaiser Cement, National is under no present obligation to provide a defense of this matter in part because the underlying carriers have not exhausted the applicable limits. If this information is incorrect, please advise me. Therefore, your demand for defense cannot be honored.

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Based upon the information presented thus far, it does not appear that Kaiser Cement's liability will approach our layer of coverage. If you have or later obtain any information to the contrary, please let us know immediately. Also, if this policy applies, please note that coverage will not be provided until the applicable limits of all the primary and excess policies underlying this policy during the period have been exhausted. Again, this does not appear to be the case. Please provide any information to the contrary.

Further, if this claim should reach our layer of coverage, we wish to alert you to several significant coverage concerns. National has a concern as to whether this claim constitutes a claim for "property damage" caused by an "occurrence" as these terms are defined in the First State policy. If "property damage" is deemed to have occurred, it may not have occurred during the effective period of National's policy. In addition, this claim may not be a claim for damages as this term is used in the insuring agreement of the First State policy.

Furthermore, First State's policy contains a specific pollution exclusion:

- VI. "to any liability of any INSURED arising out of the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, solids, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon the land, the atmosphere, or any watercourse or body of water unless such discharge, dispersal, release or escape is sudden and accidental."

Kaiser Cement was notified by the EPA of this matter on February 19, 2010. National did not receive the notice of claim until December 21, 2010. The Home policy includes the following policy conditions which we believe may have been violated:

"In the event of an occurrence, written notice containing particulars sufficient to identify the insured and also reasonably obtainable information with respect to the time, place, and circumstances thereof, and the names and addresses of the insured and of available witnesses, shall be given by or for the insured to the Company or any of its authorized agents as soon as practicable.

If a claim is made or suit is brought against the insured, the insured shall immediately forward to the Company every demand, notice, summons, or other process received by him or his representative..."

Additionally, as part of our investigation of this claim, more information is necessary to determine coverage or the extent of any coverage under National's policy. Therefore, we ask you to:

1. Provide a history of any leaks, spills and other releases at the site or facility and the clean-up operations or remediation conducted in response to those incidents.
2. Please give details including dates of all sudden and accidental discharges, dispersals, releases or escapes of pollutants from the site.

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3. State in detail how the contamination took place.
4. Provide information on any other potential other sources of contamination both on-site and off-site.
5. Please provide copies of all communication between Kaiser Cement, Kaiser Gypsum, Hanson and/or the EPA.
6. Please provide copies of all technical documents relating to Kaiser Cement, Kaiser Gypsum and Hanson's involvement at the site.
7. Identify any parties whom you feel you and/or we may have claims of indemnity against and the basic reasons for your assessment.
8. Please provide us with the current status of settlement negotiations, if any, with the EPA.
9. Please indicate when Kaiser Cement, Kaiser Gypsum and/or Hanson first became aware of problems concerning contamination at the site. Provide any supporting documentation.
10. Please provide all sales, indemnity and lease agreements relating to the site.

The above-cited reasons for our reservation of rights are not meant to be exhaustive. We specifically reserve our right to cite and invoke other coverage defenses should their applicability become apparent. Any action taken by National Casualty Company, Scottsdale Insurance Company, Nationwide Insurance or any of the company's agents, employees or other representatives shall not be deemed to be a waiver of or estoppel to these rights.

Other policy terms, conditions and exclusions may well be applicable as information is acquired. Neither your rights and obligations nor ours are intended to be limited to the application of the cited provisions. Again, refer to your client's policy for applicable policy language.

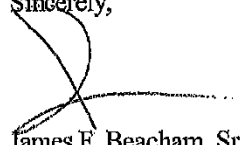
We reserve each and every right that under any allegedly applicable policy of insurance issued to Kaiser Cement. We specifically reserve the right to deny coverage and not make any payment for damages and/or attorney fees, costs or expenses that do not come within the coverages of the policy. Further, we reserve all rights not to pay for any damages which are not covered or are in excess of its policy.

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If you have any questions, please feel free to give me a call.

Sincerely,



James F. Beacham, Sr.
Claim Consultant

CC: Karen Dvorak

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JAMES F BEACHAM SR
NATIONWIDE INDEMNITY
PO BOX 1346
WESTMINSTER MD 21158

CERTIFIED MAIL™



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MILLER N.
500 EAST E
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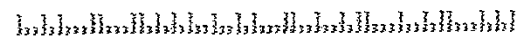
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<p>2. Article Number (Transfer from service label) 7009-2220-0007 6246-6457</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If YES, enter delivery address below:</p>
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